



Amy G. Rabinowitz
Assistant General Counsel

September 26, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: New England Power Company, DTE 05-57

Dear Secretary Cottrell:

I am enclosing New England Power Company's responses to the Department's first set of information requests. We appreciate your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Joe Rogers, Office of Attorney General

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-1

Request:

Refer to Exh. RGS-1, at 1. Please explain the reference to “Amendment No. 1” that has been incorporated into the conformed version of the November 29, 2004 Credit Agreement.

Response:

The Credit Agreement was amended, via Amendment No. 1, dated as of March 16, 2005, to revise Section 5.01(a)(i)(B) of the Credit Agreement. The conformed version of the Credit Agreement contained in Exh. RGS-1 reflects the Credit Agreement as amended by Amendment No. 1.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-2

Request:

Other than the extension of the term, are there any proposed changes to the Credit Agreement? If so, please provide a redline/strikeout version of the proposed Credit Agreement, identifying all proposed changes to the existing Credit Agreement provided in Exh. RGS-1.

Response:

No other changes to the Credit Agreement are proposed at this time.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-3

Request:

Refer to Mr. Seega’s prefiled testimony at 7, as well as Exh. RGS-1, at 20 and 22. Please explain the distinction between (1) the Company’s eligibility to borrow under the Credit Agreement and (2) the ability of Massachusetts Electric Company and Nantucket Electric Company (among other participants to the Credit Agreement) to “avail themselves to the letter of credit facility set forth under the Credit Agreement.”

Response:

The Credit Agreement contains two separate facilities: (1) a revolving credit facility, pursuant to which NEP is permitted to borrow on the terms described in the Credit Agreement and in Mr. Seega’s prefiled testimony, and (2) a letter of credit facility, pursuant to which all of the “Borrowers” under the Credit Agreement, including NEP, Massachusetts Electric Company and Nantucket Electric Company, may obtain letters of credit to secure their obligations to third parties.

While all of the “Borrowers” may avail themselves of the letter of credit facility (subject to each Borrower’s “LC Sublimit,” as defined in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 14), NEP is the only party that is permitted to make borrowings under the revolving credit facility (see definition of “Sublimit” in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 18, and Section 2.01 of the Credit Agreement, Exh. RGS-1 at 20).

Prepared by or under the supervision of: Robert G. Seega

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-4

Request:

Refer to Mr. Seega’s prefiled testimony at 3-4. Please explain the remarketing process used to periodically reprice NEP’s bonds.

Response:

NEP currently employs three agents to remarket its tax exempt bonds: Citigroup, JP Morgan, and Morgan Stanley. These agents are responsible for securing a favorable interest rate for their portion of the program by responding to investor demand for tax exempt bonds with maturities of one to 270 days. Although NEP has never experienced a failed remarketing of its tax exempt bonds, if the agents were unable to remarket the bonds, investors would have the right to “put” the bonds back to NEP. The Credit Agreement provides some of the liquidity support to buy back the bonds that would be put to NEP in the event of a failed remarketing.

NEP monitors performance of these agents and has the ability to change agents at its discretion.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-5

Request:

Refer to Mr. Seega's prefiled testimony at 4. Please provide (1) the current credit rating for the Company's bonds, (2) the estimated difference in the credit rating in the absence of the credit facility and (3) the estimated difference in interest rates associated with the bonds, in the absence of the credit facility.

Response:

(1) NEP has an issuer rating of A2/A by Moody's and Standard & Poor's, respectively. In addition, because NEP remarkets its tax exempt bonds in a short-term mode, it applies to the rating agencies for a commercial paper rating and those assigned ratings are P-1/A1.

(2) Without requesting a complete analysis by the rating agencies of the impact of the absence of the current credit facility, NEP cannot accurately estimate what the ratings on its tax exempt bonds would be. However, as a result of discussions with the agencies, NEP believes that if the agencies concluded that alternate liquidity is inadequate, the likely result would be a determination that there exists a significant weakness in the liquidity profile of NEP. This would likely result in negative implications for NEP's ratings. In addition, NEP has been advised that longer term credit facilities such as the one NEP is proposing are viewed as higher quality since the risk of annual renewal is removed.

(3) Interest rates are determined by many factors, but a key component is the ratings assigned by Moody's and Standard & Poor's. If, as a result of determination that liquidity is inadequate to support the current ratings on NEP's bonds, the rating agencies were to reduce NEP's rating one level below current levels, the increase in interest rates to NEP could be in the range of 10 to 15 basis points (0.10 - 0.15%).

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-6

Request:

Please list what, if any, other regulatory approvals need to be obtained by the Company in order to authorize the extension of the term of the existing revolving credit facility.

Response:

In addition to the approval of the Department, the extension of the term of the existing revolving credit facility must be approved by the Public Utilities Commission of the State of New Hampshire and by the Public Service Board of the State of Vermont.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-7

Request:

Refer to Mr. Seega's prefiled testimony at 5. Under the current credit facility which runs for 364 days, does the Company have any option to convert borrowings made under this credit facility to long-term debt? If so, please explain fully the conditions under which the credit facility may be converted to long-term debt, as well as any separate regulatory approvals that may be required to effect the conversion.

Response:

As provided in Section 2.06 of the Credit Agreement, Exh. RGS-1, at 31, all borrowings under the Credit Agreement must be repaid on the "Termination Date," which is defined in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 19. The Termination Date, with respect to NEP, is currently November 28, 2005. NEP has the option to extend the Termination Date to November 29, 2009, pursuant to Section 2.16 of the Credit Agreement, Exh. RGS-1, at 38. This extension of the Termination Date, which is the subject of this application to the Department, is the only option under which borrowings under the current credit facility may be converted to long-term debt.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-8

Request:

Refer to Mr. Seega’s prefiled testimony at 5. Under the proposed extended Credit Agreement will the Company have any option to convert borrowings made under this credit facility to long term debt? If so, please explain fully the conditions under which the credit facility may be converted to long-term debt, as well as any separate regulatory approvals that may be required to effect the conversion.

Response:

Under the proposed extended Credit Agreement, borrowings may be outstanding until November 29, 2009, which will be the new “Termination Date” of the Credit Agreement as to NEP. See definition of “Termination Date” in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 19. All borrowings under the Credit Agreement must be repaid on the Termination Date. See Section 2.16 of the Credit Agreement, Exh. RGS-1, at 31.

There is no option in the Credit Agreement to convert borrowings into any other form of long-term debt.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company (“NEP”)
Docket No. DTE 05-57
Responses to the Department’s First Set of Information Requests

DTE 1-9

Request:

Refer to Mr. Seega’s prefiled testimony at 6 (lines 6 -7), and Exh. RGS-2. What exactly is meant by “Prior to the current 364-day facility arrangement” in line 6. If the fees for the current credit facility are different than those shown in Exh. RGS-2, then please provide the upfront fee and annual facility fee associated with NEP’s current 364-day facility arrangement?

Response:

“Prior to the current 364-day facility arrangement” refers to typical fees paid by NEP under the 364-day credit facilities that were in place prior to November 29, 2004 (the “Prior Facilities”), when the Credit Agreement became effective and the current credit facility arrangement went into effect. The fees shown in Exh. RGS-2 under the heading “364-Day Facility” are typical fees paid by NEP under the Prior Facilities. The fees paid by NEP under the current credit facility are shown in Exh. RGS-2 under the heading “5-Year Facility.”

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-10

Request:

Refer to Exh. RGS-3 , at page 2, as well as the Company's 2004 Annual Return to the Department at 200, ln. 13. Please reconcile the difference between the \$1,341,730,000 in utility plant, construction work in progress, and goodwill provided in Exh. RGS-2 with the \$1,331,302,339 reported in the Company's 2004 Annual Return.

Response:

The \$1,331,302,339 figure in NEP's 2004 Annual Return consists of utility plant of \$949,504,616 (\$941,580,310 at line 8 plus \$7,924,306 at line 10), construction work in progress of \$25,338,723 (line 11) and acquisition adjustments of \$356,459,000 (line 12). Please note that the amortization of this acquisition adjustment of \$18,270,797 is shown below on line 32.

The \$1,341,730,000 figure in Exhibit RGS-3 at page 2 consists of utility plant at original cost of \$966,086,000, construction work in progress of \$37,456,000, and Goodwill, which is net of amortization, of \$338,188,000 (\$356,459,000 less amortization of \$18,270,797). The changes in utility plant and construction work in progress represent typical construction activity over a three month period (the Annual Return being as of December 31, 2004 and Exhibit RGS-3 being as of March 31, 2005) and goodwill net of amortization remains unchanged.

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New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-11

Request:

Refer to the Company's 2004 Annual Return to the Department at 204, ln. 2. Please explain the items that comprise Account 301, Organization.

Response:

This account typically includes fees paid to federal or state governments for the privilege of incorporation. New England Power currently has \$18,604.40 in account 301.

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New England Power Company ("NEP")
Docket No. DTE 05-57
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DTE 1-12

Request:

Refer to the Company's 2004 Annual Return to the Department at 204, ln. 3. Please explain the items that comprise Account 302, Franchises and Consents.

Response:

This account typically includes amounts paid to federal, state and local governmental bodies in consideration for consents or certificates of permission. New England Power currently has \$203,580 in account 302. This represents one asset in Marlborough, Massachusetts. In 2002 NEP needed to connect its substation in Southborough Massachusetts to a municipal substation in the town of Hudson Massachusetts. This line would run through the town of Marlborough, which required NEP to obtain a permit to cross its public streets. The cost for granting this consent was capitalized into account 302.

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New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-13

Request:

Refer to the Company's 2004 Annual Return to the Department at 204, ln. 4. Please explain the items that comprise Account 303, Miscellaneous Intangible Plant.

Response:

This account typically includes the cost of patent rights, licenses, privileges and other intangible property necessary or valuable for the conduct of utility business. NEP has an agreement with the Metropolitan District Commission (MDC) that allows NEP to use a transmission line owned by the MDC. This agreement expires 12/31/2019. To the extent NEP has made capital improvements to this line it has recorded those costs, which have amounted to \$1,942,647, in account 303. The decision to record these assets in Intangible as opposed to Transmission is due to the fact that NEP did not own the transmission line to which the improvements were made.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-14

Request:

Refer to Exh. RGS-3, at 2, as well as the Company's 2004 Annual Return to the Department at 257, ln. 33. Please reconcile the difference between the \$410,304,000 long-term debt balance reported in Exh. RGS-3 with the \$410,350,000 long-term debt balance reported in the Company's 2004 annual return to the Department.

Response:

The \$410,350,000 long-term debt balance reported in Exh. RGS-3 is the principal balance of the long-term debt outstanding. The \$410,304,000 long-term debt balance reported in NEP's 2004 annual return to the Department is the long-term debt outstanding net of unamortized premium and discount.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-15

Request:

Refer to Exh. RGS-3, page 2, as well as the Company's 2004 annual return to the Department at 253, ln. 40. Please confirm, or amend accordingly, whether the entire balance in Account 211 of \$731,974,235 represents capital contributions made by the Company's parent.

Response:

The entire balance in Account 211 represents capital contributions made by NEP's parent.

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New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-16

Request:

Refer to Exh. RGS-3, page 2. Please provide, if available, a copy of this schedule as of June 30, 2005. As part of this response, reconcile any differences between this response and the corresponding balances reported in the Company's 2004 Annual Return to the Department.

Response:

Please see the attached copy of Exh. RGS-3, page 2 as of June 30, 2005. The difference between the amounts reflected in NEP's balance sheet as of March 31, 2005 and its balance sheet as of June 30, 2005 reflect normal changes resulting from NEP's operations during the intervening three-month period.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company
DTE 05-57
Exhibit RGS-3
Responses to the Department's First Set of Information Requests
NEW ENGLAND POWER COMPANY
Balance Sheet
June 30, 2005 (In thousands)
(Actual)
(Unaudited)

	<u>Actual</u>
Assets	
Utility plant, at original cost	\$ 991,935
Less accumulated provisions for depreciation and amortization	<u>(256,622)</u>
	735,313
Construction work in progress	<u>34,471</u>
Net utility plant	<u>769,784</u>
Goodwill	338,188
Investments:	
Equity investments in nuclear power companies	15,754
Nonutility property and other investments	<u>12,396</u>
Total investments	<u>28,150</u>
Current assets:	
Cash and cash equivalents (including \$518,625 with affiliates)	518,764
Accounts receivable:	
Affiliated companies	37,300
Others (Less reserves of \$153)	116,806
Fuel, materials and supplies, at average cost	3,333
Prepaid and other current assets	1,501
Regulatory assets -- derivative instruments	52,240
Regulatory assets -- purchased power obligations	<u>13,559</u>
Total current assets	<u>743,503</u>
Regulatory assets	1,012,497
Additional minimum pension liability regulatory asset	56,359
Prepaid pension asset	13,513
Deferred charges and other assets	<u>4,678</u>
Total assets	<u><u>\$ 2,966,672</u></u>
Capitalization and Liabilities	
Capitalization:	
Common stock, par value \$20 per share,	
Authorized 6,449,896 shares	
Outstanding - 3,619,896 shares	\$ 72,398
Other paid-in capital	731,974
Retained earnings	312,581
Accumulated other comprehensive loss	<u>127</u>
Total common equity	1,117,080
Cumulative preferred stock, par value \$100 per share	1,112
Long-term debt	<u>410,305</u>
Total capitalization	<u>1,528,497</u>
Current liabilities:	
Accounts payable (including \$31,3109 to affiliates)	61,776
Accrued liabilities:	
Taxes	94,083
Deferred federal and state income taxes	1,804
Interest	1,401
Purchased power obligations	13,559
Derivative instruments	52,240
Other accrued expenses	9,769
Dividends payable	<u>17</u>
Total current liabilities	<u>234,649</u>
Deferred federal and state income taxes	135,910
Unamortized investment tax credits	7,338
Accrued Yankee nuclear plant costs	207,254
Purchased power obligations	35,996
Derivative instruments	299,075
Other reserves and deferred credits	517,953
Commitments and contingencies	-
Total capitalization and liabilities	<u><u>\$ 2,966,672</u></u>

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-17

Request:

Refer to Exh. RGS-2. Has the Company conducted/developed any present value calculations concerning the potential saving associated with the new Credit Agreement? If so, please provide those calculations. If not, provide such calculations. For purposes of this response, assume a discount rate of 8.0 percent and provide all assumptions used to derive the calculations.

Response:

NPV Analysis of Cost Savings using 8% Discount Rate

Current Facility

	Upfront Fee	Facility Fee	Legal Expense	Total
Year				
1	115,000	230,000	10,000	355,000
2	115,000	230,000	10,000	355,000
3	115,000	230,000	10,000	355,000
4	115,000	230,000	10,000	355,000
5	115,000	230,000	10,000	355,000
		8.00%	NPV of expenses =	\$1,417,412

Five Year Facility

	Upfront Fee	Facility Fee	Legal Expense	Total
Year				
1	333,500	184,000	30,000	547,500
2	-	184,000	-	184,000
3	-	184,000	-	184,000
4	-	184,000	-	184,000
5	-	184,000	-	184,000
		8.00%	NPV of expenses =	\$1,071,233

Discounted at 8%, savings from 5 year facility are: \$346,179

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New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-18

Request:

Please discuss whether the competitive bidding provisions of G.L. c. 164, § 15 are applicable to either the Credit Agreement or any long-term borrowings that may be made through the Credit Agreement. If the Company believes that G.L. c. 164, § 15 is applicable, please either (1) provide information evidencing that NEP has complied with the competitive bidding provisions or (2) confirm that NEP is seeking an exemption from G.L. c. 164, § 15 along with evidence that the grant of such exemption would be in the public interest.

Response:

G.L. c. 164, § 15 applies to bonds, notes and other evidences of indebtedness "payable at periods of more than five years after the date thereof." If the Credit Agreement is extended in accordance with its terms and NEP's application to the Department herewith, no borrowings thereunder will be outstanding beyond November 29, 2009. Accordingly, no such indebtedness would be "payable at periods of more than five years after the date thereof" and, therefore, the competitive bidding provisions of G.L. c. 164, § 15 are not applicable to the Credit Agreement or any borrowings thereunder.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-19

Request:

Please explain the repayment schedule and maturity date for any Base Rate Advance or Eurodollar Rate Advance drawn on the credit facility.

Response:

All outstanding "Advances" (defined in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 5, to include both Base Rate Advances and Eurodollar Rate Advances) must be paid, in accordance with Section 2.06 of the Credit Agreement, Exh. RGS-1, at 31, on the Company's "Termination Date" (defined in Section 1.01 of the Credit Agreement, Exh. RGS-1, at 19). The Termination Date is currently November 28, 2005 and, if the Department grants the Company's application herein, will be extended to November 29, 2009.

NEP is permitted to prepay any Advance at any time, on three business day's notice, as provided in Section 2.10(a) of the Credit Agreement, Exh. RGS-1, at 33.

Prepared by or under the supervision of: Robert G. Seega

New England Power Company ("NEP")
Docket No. DTE 05-57
Responses to the Department's First Set of Information Requests

DTE 1-20

Request:

Refer to Mr. Seega's prefiled testimony at 3. Please explain if NEP is seeking approval for borrowings for "general corporate purposes" and if so, please explain what types of uses specifically would constitute these general corporate purposes.

Response:

As stated in Mr. Seega's prefiled testimony, NEP maintains the revolving credit facility primarily as a means of providing liquidity support for its outstanding pollution control revenue refunding bonds; the Credit Agreement does, however, also permit borrowings for general corporate purposes as well. NEP does not have any current intention of borrowing under the Credit Agreement for any purpose, but it is conceivable that NEP may wish to do so in the future, and NEP seeks approval for borrowings for any purpose permitted under the Credit Agreement.

Borrowings for general corporate purposes would, generally speaking, constitute borrowings for the purpose of acquiring assets and/or borrowings for the purpose of paying expenses. Some examples of specific purposes for which NEP might conceivably wish to borrow are

- the acquisition of transformers, wires and other transmission assets
- the acquisition of real estate or real estate easements useful in NEP's business
- the repurchase of outstanding securities previously issued by NEP
- the repayment of indebtedness; and
- the payment of expenses such as legal judgments

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